

FISCAL MEMORANDUM

SB 3830 – HB 3456

March 4, 2008

SUMMARY OF AMENDMENT (014387): Adds any appliance, attached to a permanent structure or stand alone, when used for feeding and watering livestock, to the list of items proposed to be exempt from state and local sales tax.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$88,000

Decrease Local Revenue - \$28,300

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue - \$194,000

Decrease Local Revenue - \$62,400

Assumptions applied to amendment:

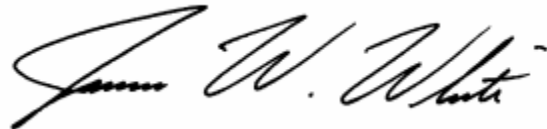
- The estimated decrease of state revenue attributable to the original language of the bill was \$88,000 ($\$1,257,300 \times 7.0\% = \$88,011$) per year.
- The estimated decrease of local government revenue attributable to the original language of the bill was \$28,300 ($\$1,257,300 \times 2.25\% = \$28,289$) per year.
- According to the Department of Revenue (DOR), such stand alone appliances are currently exempt from sales tax when used for feeding and watering livestock; appliances that become realty upon installation are not exempt under current law.
- According to DOR, there are approximately 87,500 farms in Tennessee.
- DOR estimates that 57.7 percent (50,488) of such farms are livestock farms.
- 50 percent of livestock farms (25,244) purchase a qualified appliance.
- The average cost is estimated to be \$120 per qualified appliance.
- 50 percent are considered stand alone appliances and would be tax exempt under current law.

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- Taxable sales that would become tax-exempt are estimated to be \$1,514,600 ($25,244 \times \$120 \times 50\% = \$1,514,640$) per year.
- The current state sales tax rate is seven percent.
- The decrease of state revenue attributable to tax-exempt appliances is estimated to be \$106,000 ($\$1,514,600 \times 7.0\% = \$106,022$) per year.
- The local option sales tax rate is estimated to average two and one-quarter percent.
- The decrease of local government revenue attributable to tax-exempt appliances is estimated to be \$34,100 ($\$1,514,600 \times 2.25\% = \$34,079$) per year.
- The total decrease of state revenue for the bill as amended is estimated to be \$194,000 ($\$88,000 + \$106,000 = \$194,000$) per year.
- The total decrease of local government revenue for the bill as amended is estimated to be \$62,400 ($\$28,300 + \$34,100 = \$62,400$) per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc